

WATERVLIET DISTRICT LIBRARY

FINANCIAL STATEMENTS

JUNE 30, 2006

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Watervliet District Library	County Berrien
Fiscal Year End June 30, 2006	Opinion Date December 6, 2006	Date Audit Report Submitted to State December 29, 2006	

We affirm that:

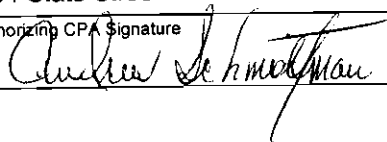
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☐ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No items requiring comments were noted.	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Andrew Schmidtman, CPA		Telephone Number 269-983-6523	
Street Address 404 State Street		City St. Joseph	State MI
Zip 49085		License Number A267933	
Authorizing CPA Signature 		Printed Name Andrew Schmidtman	

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ANDREW A. SCHMIDTMAN, C.P.A.

JAMES M. WOLF, C.P.A.

INDEPENDENT AUDITOR'S REPORT

To the Library Board
Watervliet District Library
Watervliet, Michigan

I have audited the accompanying basic financial statements of the Watervliet District Library as of and for the year ended June 30, 2006, as listed in the table of contents. These basic financial statements are the responsibility of the Watervliet District Library's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Watervliet District Library as of June 30, 2006, and the changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The Library management's discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.



ANDREW A. SCHMIDTMAN
December 4, 2006

WATERVLIET DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

The Watervliet District Library is a district library located in Watervliet, Michigan. The Management's Discussion and Analysis is intended to provide an overview analysis of the financial position and operating results of the Library.

The Library's basic financial statements include government-wide financial statements, fund financial statements, and notes to financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Library's annual report includes two government-wide financial statements. The statement of net assets and the statement of activities. These statements are full accrual basis statements. They report all of the Library's assets and liabilities, both short-term and long-term, and they report all current year revenues and expenses regardless of when cash is received or paid.

FUND FINANCIAL STATEMENTS

The fund level financial statements are reported on a modified accrual basis. Only those assets that are measurable and currently available are reported. Liabilities are recognized to the extent that they are normally expected to be paid with current financial resources. These statements report short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the year end.

NOTES TO FINANCIAL STATEMENTS

The notes to financial statements provide additional detail information related to the information contained in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

This annual report also includes the required supplemental information, a budgetary comparison schedule of the general fund.

WATERVLIET DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

CONDENSED FINANCIAL INFORMATION

The following provides financial information in a condensed format using the full accrual basis of accounting.

	June 30, 2006	June 30, 2005
Assets:		
Current assets	\$150 919	\$141 187
Capital assets	225 826	229 723
Total assets	376 745	370 910
Liabilities:		
Current liabilities	2 349	161
Long-term liabilities	—	—
Total liabilities	2 349	161
Net Assets:		
Investment in capital assets	225 826	229 723
Unrestricted	148 570	141 026
Total net assets	\$374 396	\$370 749
Revenues:		
Property taxes	\$ 61 843	\$ 55 413
Penal fines	49 056	52 371
Other	13 508	16 330
Total revenues	124 407	124 114
Expenses – Library services	120 760	118 548
Change in Net Assets	\$ 3 647	\$ 5 566

WATERVLIET DISTRICT LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS

GOVERNMENT – WIDE FINANCIAL INFORMATION

The Library's net assets increased by \$3,647 during the year. The primary sources of revenues are property taxes and penal fines. Property taxes and penal fines represent approximately 89% of total revenue. The revenue from penal fines will vary from year to year depending upon fines assessed by the courts. The penal fines revenue decreased 6% from the prior year.

The Library's main expenses are wages, utilities, and depreciation. Wages, utilities, and depreciation expenses combined represent 80% of total expenses.

THE LIBRARY'S FUNDS

An analysis of the Library's major funds is included in the balance sheet and statement of revenues, expenditures, and changes in fund balance. These statements provide information on current inflows, outflows, and balances of spendable resources. The fund balance of the general fund increased by \$7,544 for the year ended June 30, 2006.

LIBRARY'S BUDGETARY HIGHLIGHTS

During the year the Library Board reviews the budget and actual expenditures to monitor the events that occur over the year. A few line items ended the year in excess of budgeted amounts. The capital outlays included new chairs and lamps for the Woodruff reading room. The total actual expenditures were less than the total budgeted expenditures. A budgetary comparison schedule of the general fund is included in the required supplemental information.

CAPITAL ASSETS AND LONG – TERM DEBT ACTIVITY

At the end of the fiscal year, the Library had \$664,840 invested in land, building, furniture and fixtures, equipment, books, magazines, and audio – video items. The Library purchased \$5,475 of equipment and furnishings and \$17,885 of books, magazines, and audio – video materials during the year. The Library does not have any long – term debt.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the Library's finances. Questions concerning the information provided in this report should be directed to the Library's management, Watervliet District Library, 333 South Main Street, Watervliet, MI 49098 – 9562.

WATERVLIET DISTRICT LIBRARY

STATEMENT OF NET ASSETS

JUNE 30, 2006

	Governmental Activities
CURRENT ASSETS:	
Cash	\$147 553
Receivable – state aid	1 898
Prepaid expenses	1 468
TOTAL CURRENT ASSETS	150 919
NON CURRENT ASSETS:	
Capital assets:	
Land	27 800
Building	111 200
Furniture, fixtures, and equipment	217 440
Library collection	308 400
	664 840
Less: accumulated depreciation	439 014
TOTAL NON CURRENT ASSETS	225 826
TOTAL ASSETS	\$376 745
	LIABILITIES
CURRENT LIABILITIES:	
Accrued wages and payroll taxes	\$ 1 882
Accounts payable	467
TOTAL CURRENT LIABILITIES	\$ 2 349
NET ASSETS:	
Invested in capital assets, net of related debt	\$225 826
Unrestricted	148 570
TOTAL NET ASSETS	\$374 396

See accompanying notes to financial statements.

WATERVLIET DISTRICT LIBRARY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

PROGRAM EXPENSES:

Recreation and cultural:	
Wages	\$ 58 038
Payroll taxes	4 636
Office supplies	2 294
Repairs and maintenance	5 064
Utilities	11 614
Professional	2 400
Insurance	2 672
Janitorial	2 550
Cooperative fees	1 649
Miscellaneous	2 586
Depreciation	<u>27 257</u>

TOTAL PROGRAM EXPENSES	120 760
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PROGRAM REVENUES:

Charges for services	4 717
Operating grants and contributions	4 686

TOTAL PROGRAM REVENUES	<u>9 403</u>
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NET PROGRAM EXPENSES	<u>(111 357)</u>
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GENERAL REVENUES:

Property taxes	61 843
Penal fines	49 056
Interest income	4 105

TOTAL GENERAL REVENUES	<u>115 004</u>
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CHANGE IN NET ASSETS	3 647
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NET ASSETS – beginning of year	370 749
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NET ASSETS – end of year	<u>\$374 396</u>
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See accompanying notes to financial statements.

WATERVLIET DISTRICT LIBRARY

BALANCE SHEET

GOVERNMENTAL FUNDS

JUNE 30, 2006

	General Fund
<u>ASSETS</u>	
CURRENT ASSETS:	
Cash	\$147 553
Receivable – state aid	1 898
Prepaid expenses	1 468
TOTAL CURRENT ASSETS	150 919
TOTAL ASSETS	<u>\$150 919</u>
<u>LIABILITIES AND FUND BALANCE</u>	
CURRENT LIABILITIES:	
Accrued wages and payroll taxes	\$ 1 882
Accounts payable	467
TOTAL CURRENT LIABILITIES	2 349
FUND BALANCES:	
Unreserved	148 570
TOTAL LIABILITIES AND FUND BALANCE	<u>\$150 919</u>

See accompanying notes to financial statements.

WATERVLIET DISTRICT LIBRARY
RECONCILIATION OF TOTAL GOVERNMENT
FUND BALANCES TO NET ASSETS OF
GOVERNMENT ACTIVITIES
JUNE 30, 2006

Total government fund balances	\$148 570
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Amounts reported for governmental activities
in statement of net assets are different
because:

Capital assets are not financial resources and are not reported in the funds	225 826
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Total net assets	<u>\$374 396</u>
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See accompanying notes to financial statements.

WATERVLIET DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General Fund	
REVENUES:		
Property taxes	\$ 61 843	
State grants and aids	4 036	
Fines and forfeits	49 881	
Interest	4 105	
Other	4 542	
 TOTAL REVENUES		 \$124 407
EXPENDITURES:		
Recreational and cultural:		
Wages	58 038	
Payroll taxes	4 636	
Office supplies	2 294	
Repairs and maintenance	5 064	
Utilities	11 614	
Professional	2 400	
Insurance	2 672	
Janitorial	2 550	
Cooperative fees	1 649	
Miscellaneous	2 586	
Capital outlay	23 360	
 TOTAL EXPENDITURES		 116 863
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		7 544
FUND BALANCE, beginning of year		141 026
FUND BALANCE, end of year		<u>\$148 570</u>

See accompanying notes to financial statements.

WATERVLiet DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2006

Net change in governmental fund balances	\$ 7 544
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Amounts reported for governmental activities
in the Statement of Activities are different
because:

Governmental funds report capital outlays
as expenditures, but they are recorded
as capital assets in the government-wide
statements and depreciated over their
useful lives:

Capital outlay	23 360
Depreciation	(27 257)

Changes in net assets of governmental activities	<u>\$ 3 647</u>
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See accompanying notes to financial statements.

WATERVLIET DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Watervliet District Library is a district library and provides library services to its patrons. The financial statements of the Library are prepared in accordance with accounting principles generally accepted in the United States of America. The Library applies all relevant Governmental Accounting Standards Board pronouncements.

SCOPE OF REPORTING ENTITY

The Library is governed by a Board of Trustees and daily activities are managed by the librarian. The accompanying financial statements have been prepared in accordance with criteria established by GASB for determining the various governmental organizations to be included in the reporting unit. Based on the significance of any operational or financial relationships with the Library, there are no component units to be included in the Library's financial statements.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENTS

The Library's basic financial statements include both governmental-wide financial statements and governmental fund financial statements.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) are reported using the economic resource measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the Standards of the Governmental Accounting Standards Board.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Library considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting.

WATERVLIET DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

GENERAL FUND – The General Fund is the Library's primary operating fund. It accounts for all financial resources of the Library.

RECEIVABLES – Receivables are recognized for significant amounts owed to the Library.

PROPERTY TAX REVENUES – Property taxes are levied against property in the Library's service area. The property taxes are levied on the taxable valuation of property as of the preceeding December 31. The City of Watervliet levies .50000 mills and Watervliet Township levies .48930 mills.

PREPAID EXPENSES – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses in both government-wide and fund financial statements.

CAPITAL ASSETS – Capital assets with an estimated useful life in excess of one year are recorded at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend useful lives are expensed.

Building, furniture, fixtures and equipment, and library collection are depreciated using the straight-line method over the following useful lives:

Building	50 years
Furniture, fixtures, and equipment	5 – 10 years
Library collection	10 years

ESTIMATES – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

NOTE 2 – BUDGET DATA

An operating budget is developed prior to the beginning of the fiscal year. The budget is submitted to the Library Board for approval. Amendments to the budget are allowed with the approval of the Library Board.

The budget was prepared in accordance with accounting principles generally accepted in the United States of America.

WATERVLiet DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

NOTE 2 – BUDGET DATA (CONTINUED):

The budget has been adopted on a line item basis. The budget as adopted is presented in the required supplemental information. The Library incurred expenditures that were in excess of the budgeted amounts as follows:

	BUDGET	<u>ACTUAL</u>
Office supplies	\$ 1 800	\$ 2 294
Utilities	11 100	11 614
Cooperative fees	1 600	1 649
Capital outlay	21 000	2 360

NOTE 3 – DEPOSITS

Michigan Compiled Laws authorizes local government units to make deposits and invest in accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. All of the Library's deposits are held at one federally insured bank with offices in Michigan. The Library's deposits are in accordance with statutory authority.

The carrying amount of the Library's deposits was \$147,408 and the bank balance was \$141,397 at June 30, 2006. The Library had F.D.I.C. insured balances of \$105,291 and uninsured balances of \$43,370 at June 30, 2006.

The Library's cash balances at year end consist of the following amounts:

Imprest cash	\$ 145
Checking account	4 038
Savings account	93 446
Certificates of deposit	<u>49 924</u>
	<u>\$147 553</u>

WATERVLIET DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

NOTE 4 – CAPITAL ASSETS

Capital assets activities for the year ended June 30, 2006 were as follows:

	Balance 7-1-05	Additions	Deletions	Balance 6-30-06
Land	\$ 27 800	\$ --	\$ --	\$ 27 800
Building	111 200	--	--	111 200
Furniture, fixtures and equipment	211 965	5 475	--	217 440
Library collection	310 380	17 885	19 865	308 400
Subtotal	633 545	23 360	19 865	637 040
Less: Accumulated depreciation	431 622	27 257	19 865	439 014
Net Capital assets being depreciated	201 923	(3 897)	--	198 026
Net capital assets	\$229 723	\$ (3 897)	\$ --	\$225 826

Depreciation expense was \$27,257 for the year ended June 30, 2006.

NOTE 5 – RISK MANAGEMENT

The Library is exposed to various risks of loss including property loss, torts, theft, and employee injuries (workers compensation). The Library has purchased commercial insurance for these risks. Settled claims resulting from these risks have not exceeded insurance coverage in the past fiscal year.

NOTE 6 – RELATED PARTY TRANSACTIONS

The Library purchases insurance coverage from the insurance agency owned by a Board member. The amount of premiums paid in 2006 were \$2,648.

WATERVLIET DISTRICT LIBRARY
REQUIRED SUPPLEMENTAL INFORMATION
GENERAL FUND – BUDGETARY COMPARISON SCHEDULE

YEAR ENDED JUNE 30, 2006

	Budgeted <u>Amounts</u>	Actual <u>Amounts</u>	Variance (Unfavorable) <u>Favorable</u>
REVENUES:			
Property taxes	\$ 54 000	\$ 61 843	\$ 7 843
State grants and aid	2 200	4 036	1 836
Fines and forfeits	50 700	49 881	(819)
Interest	1 300	4 105	2 805
Other	4 700	4 542	(158)
TOTAL REVENUES	112 900	124 407	11 507
EXPENDITURES:			
Recreational and cultural:			
Wages	65 000	58 038	6 962
Payroll taxes	4 800	4 636	164
Office supplies	1 800	2 294	(494)
Repairs and maintenance	7 000	5 064	1 936
Utilities	11 100	11 614	(514)
Professional	2 500	2 400	100
Insurance	3 600	2 672	928
Janitorial	2 600	2 550	50
Cooperative fees	1 600	1 649	(49)
Miscellaneous	5 500	2 586	2 914
Capital outlay	21 000	23 360	(2 360)
TOTAL EXPENDITURES	126 500	116 863	9 637
EXCESS REVENUES (EXPENDITURES)	(13 600)	7 544	21 144
FUND BALANCE, beginning of year	141 026	141 026	—
FUND BALANCE, end of year	\$127 426	\$148 570	\$ 21 144

See accompanying notes to financial statements.